.

QUARTERLY REPORT #7

Report Period: April 1 – June 30, 2014

SCALING HIGH-IMPACT INNOVATIONS OF SOCIAL ENTREPRENEURS

Mercy Corps Contact		Project Summary	
Name	Carol Skowron	Award No.	AID-OAA-A-12-00044
Title	Sr. Program Officer	Start Date	Sept. 17, 2012
Address	45 SW Ankeny Street	End Date	Sept. 16, 2017
	Portland, OR 97204	Report Date	July 31, 2014
Phone	503.896.5861	Total Award	$20,451,617
Email	cskowron@field.mercycorps.org		

Table of Contents

List of Acronyms and Abbreviations

AOR	Agreement Officer's Representative
AMP	Award Monitoring Plan
BOP	Base of the Pyramid
DIV	Development Innovations Ventures
EA	Evidence Action
EF	Everyone Forever
GMP	Green Municipalities Program
GWS	Good World Solutions
IEE	Initial Environmental Examination
IIA	Innovation Investment Alliance
ION	Investment Opportunity Note
IRM	Investment Recommendation Memo
MC	Mercy Corps
MM	Mission Measurement
PMP	Performance Monitoring Plan
SAD	Deforestation Alert System
SASE	Skoll Social Award for Social Entrepreneurship
SEAD	Social Entrepreneur Accelerator at Duke
Skoll	Skoll Foundation
Snapshot	Also known as VHLPS, or Very High Level Program Snapshot, has very basic information about the proposed organization
USAID	United States Agency for International Development
VS	VisionSpring

I.   Executive Summary

In Quarter 7, VisionSpring kicked off their award to expand their hub and spoke model for vision care in Latin America. Imazon has completed one year of its award and is putting into place the necessary management systems and training at the municipal level to improve environmental management decentralization at the municipal level in the state of Para. Terracarbon, a consulting firm hired to measure and evaluate the results from Imazon's program, has signed Phase 2 of their contract and is moving forward with this new stage of their work to measure the impact of Imazon's work. Mercy Corps has begun application development for Evidence Action, an organization which provides chlorine dispensers to rural parts of Uganda, and plans to fund the program in the next quarter.

Mercy Corps has been persistently reviewing pipeline organizations from both partners and has continued to explore outside resources in order to identify new programs. After conducting initial research on organizations recommended to us by Skoll and USAID, Mercy Corps provided recommendations to USAID on funding. Despite substantially expanding the pipeline sources to identify more candidates, the quarter ended with few viable investments.

II.   Program Overview

A. Program Summary

The Scaling High-Impact Innovations of Social Entrepreneurs is an alliance between the Skoll Foundation (Skoll) and USAID, to co-invest $40 million in cutting-edge, rigorously-evaluated innovations that are ready to scale, have sustainable models and can produce systems-level change. As an implementing partner, Mercy Corps screens, investigates, evaluates and proposes high-potential candidates; provides selected subrecipients with funding; and manages implementation on behalf of USAID for their portion of this program. Mercy Corps works closely with Skoll to ensure alignment between the parties.

The goal of the overall alliance is that ***high-impact, sustainable innovations proven to produce systems-level change in the developing world are showcased and brought to scale, in conjunction with the alliance partners***.

Two strategic objectives have been proposed for Mercy Corps' work under the alliance:
1. Alliance effectively leverages partners' resources and expertise to more powerfully support organizations at critical points for scale and transformational impact.
2. Social innovations provide and share meaningful data that demonstrate the impact of their approach as well as measure the value and impact of the investment alliance as a whole.

B. Program Environment

Activities during this quarter were largely an extension of last quarter with the issue of identifying investments that meet the criteria of both organizations the leading issue for the IIA. Most of the prospects under review were not advanced.

Staff shortages on the Skoll side reduced the pipeline from that source, something that Skoll has taken steps to rectify. It is expected that situation will improve next quarter. For USAID, reorganization of Global Partnerships under the Lab slightly shifted expectations for this award, but also is expected to provide additional opportunities to access USAID expertise and priorities.

A Steering Committee meeting was scheduled for the beginning of the next quarter, and Mercy Corps worked with both partners to prepare for the July 8 meeting in Washington DC.

III.   Performance Summary

Based on goals laid out in the cooperative agreement, success under this program will be measured on three levels:
1. Mercy Corps' management of the partnership activities and USAID's funds distributed to recipient organizations as described in the Award Monitoring Plan (AMP) (see Attachment 1).
2. Aggregate program results across all recipient organizations, which will be measured using the Results Framework. This information will be collected and reported semi-annually (October and April).
3. Individual recipient organizations will report against their own Performance Monitoring Plan (PMP), reported quarterly.

1. Management of the Partnership

A. Selection of Recipient Organizations

Round 3 (December 2013 – June 2014) prospects continued to be investigated during this quarter. Mercy Corps explored a total of 16 new investments, and continued to pursue a number of opportunities from the last quarter. At the end of this period there were seven priority opportunities to discuss at the Steering Committee: Partners in Health, Evidence Action, Bandhan, Global Green Health Hospitals (GGHH), Everyone Forever, Landesa, and Mothers2Mothers (M2M). These seven potential investments and several others were scheduled to be discussed on July 8 at the Steering Committee meeting in Washington, DC. Table 1 presents data for review of investments during Round 3. (For a list of organizations in the IIA process at the end of Q7 by stage please see Attachment 2.)

Table 1: Round 3, December 2013- June 2014, Organizations Considered for funding by Pipeline source

Source	No.
Skoll Pipeline	4
USAID DIV Pipeline	15
Duke SEAD Pipeline	16
Launch.org	11
Total Pipeline:	44

The most advanced prospect is Evidence Action, which was approved for funding for $1 million by Skoll in their June board meeting. Mercy Corps is also moving forward with EA and is in the application stage for an award of $1 million. Evidence Action is an organization which implements programs that have been tested and incubated by Innovations Poverty Action (IPA) in east Africa and takes them to scale. The proposed Dispenser for Safe Water Program installs and maintains chlorine dispensers in rural areas of Uganda. Evidence Action claims that the treatment of drinking water with chlorine reduces diarrheal diseases by 40%. Funding from the IIA in a 2-year program will allow Evidence Action to scale up dispenser installation and servicing in Eastern and Western Uganda and will contribute to 3.2 million Ugandans having sustainable safe water services.

The remainder of the prospects in the pipeline were less viable for current funding for a variety of reasons. For example, constraints at USAID make it very difficult to fund health-related projects such as PIH and M2M, preventing Mercy Corps from moving ahead on those prospects. Others, such as Bandhan and Landesa were innovations that were not yet developed sufficiently for funding under this award.

When reviewing the overall pipeline it is clear that the majority of organizations considered for funding are not progressing far through the process. (A complete list of all of the organizations researched by Mercy Corps, their status and the reasons for not moving forward with them has been included in Attachment 3.) As indicated in Table 2, of the 75 organizations reviewed since the beginning of the partnership, only 2 were funded.

Table 2: Total Number of Organizations in IIA process at the end of Q7 (November 2012 – June 2014)

Category	Number
Pipeline prospects presented	75
Total Shortlisted	22
Total Snapshots/Summaries completed	13
Total IONs	4
Total Applications submitted	3
Total Funded	2

This same information is displayed in Figure 1, which represents the potential investments that were prioritized and researched by Mercy Corps and the number reaching various stages in the process. Each round is also presented separately.

Round 1
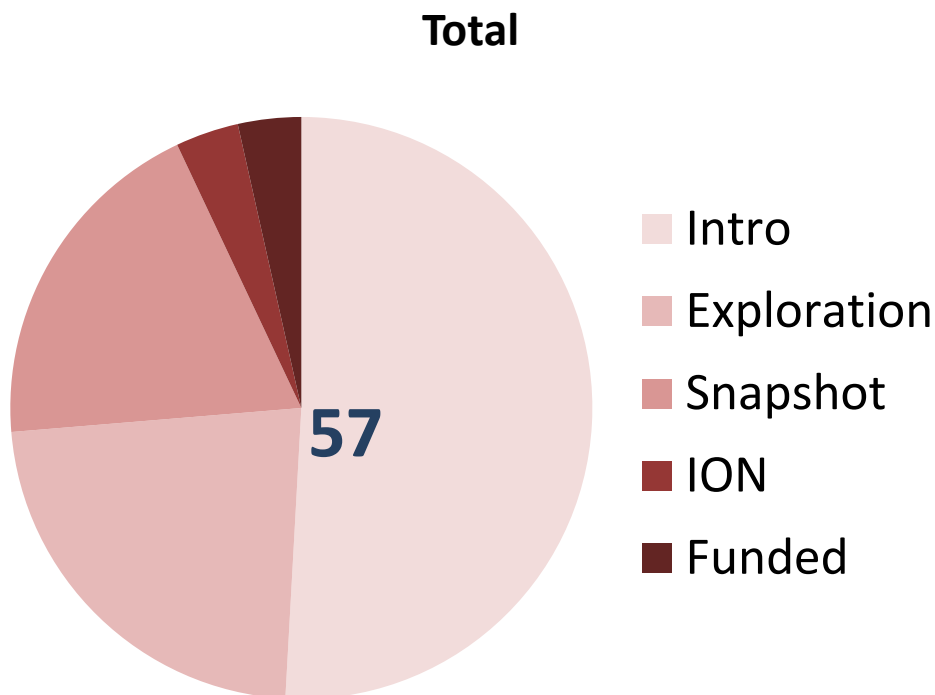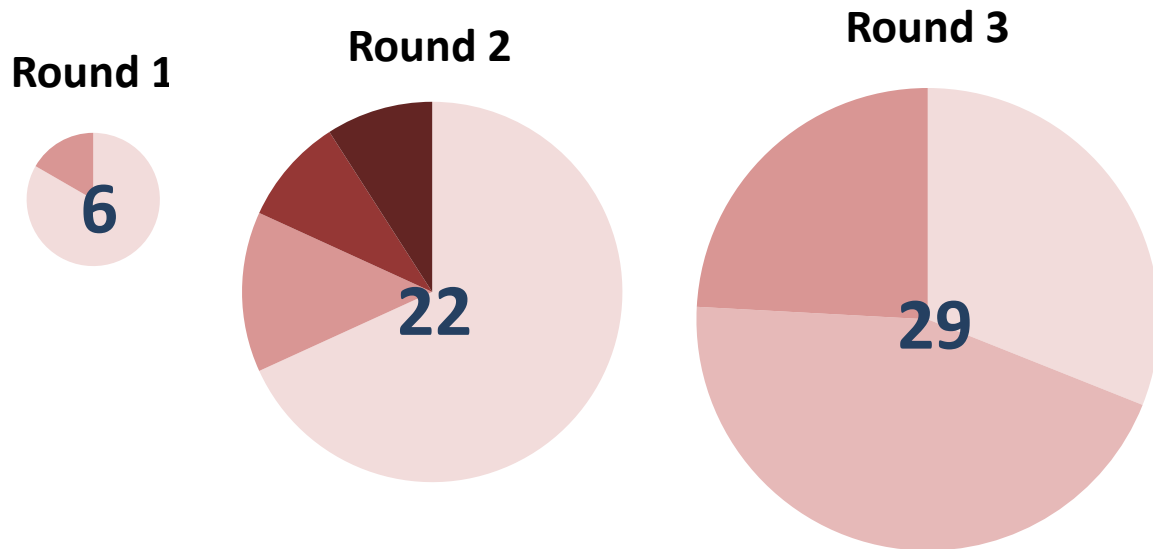
Round 2

Round 3

Figure 1: Potential investments examined to date by stage completed shown for Total and by Round.

On the Skoll side, sustained staff shortages led to a limited pipeline from that partner although that situation is expected to change with recent new hires. In this quarter Mercy Corps explored USAID deals outside of the DIV portfolio, including expanded sourcing of the Duke Social Entrepreneur Accelerator at Duke (SEAD) incubator and Launch.org. Unfortunately, many of the deals from these sources were focused on the health sector, which makes funding unlikely. Mercy Corps is continuing to be in conversation with both partners to better target the pipelines and achieve greater efficiency.

B. External Communications

On June 4 Mercy Corps produced a story featuring Imazon's use of mapping techniques in the Amazon and the contribution of the Alliance to their work. The story was posted on websites hosted by all three partners: Global Envision (managed by Mercy Corps), Skoll and USAID. Furthermore, it was picked up by the *Christian Science Monitor* where it reached a much broader audience.

Mercy Corps, Skoll, and USAID are still waiting for final approval of funding from Grand Challenges Canada to share a press release about the VisionSpring investment. Mercy Corps will also produce a press release announcing the new Alliance investment in Evidence Action once it is completed.

Kevin Hong, the monitoring and evaluation advisor, presented the synthetic control method (SCM) and how it is being used to measure Imazon's work and more broadly how the Alliance conducts rigorous evaluations at the annual Metrics conference with Aspen Network of Development Entrepreneurs (ANDE) in Washington D.C. The session was well attended and there was much interest in the SCM among participants. Some of the attendees requested more information on the SCM and our collaboration with

TerraCarbon, Mercy Corps shared an abridged version (focusing on the methodology and statistical consideration) of TerraCarbon's Phase 1 report with them.

A summary of communications produced by the end of Q7 is listed in Table 3.

Table 3: Total Program Communications

Number of unique stories	5
Number of outlets posting the stories	7
Unique page views*	1848
Number of conference presentations	5

*Note: this reflects numbers from Mercy Corps, Skoll and Global Envision and from USAID. We do not have data from *Christian Science Monitor* or the *Economist*, but *Christian Science Monitor* receives over 4 million unique visitors per month

C. Mercy Corps Award Monitoring Plan

The revised Award Monitoring Plan has been reviewed and approved by USAID. Per USAID's suggestion, Mercy Corps will use the current version for a couple of quarters and assess if any changes or additions should be made.

For this quarterly report, Mercy Corps reports only quarterly indicators in the Award Monitoring Plan. Semi-annual and annual indicators will be reported for the quarters ending in September and March so that the results are reported in sync with the annual program cycle.

D. Next Quarter Activities

Mercy Corps expects to have an award for Evidence Action for $1 million ready to submit to USAID by the end of August. A new round, Round 4, will begin and Mercy Corps will investigate the prospects prioritized by the IIA partners and move towards making two additional deals by the end of the calendar year. Parallel to this, Mercy Corps will continue to work with the partners on the sourcing issues flagged in the previous quarter and to develop a strategy around managing those concerns. The Steering Committee, scheduled for July 8, will offer the opportunity to discuss the issues and prioritize deals.

At this meeting the partners will also discuss some of the criteria that have been used for selecting awardees with the goal of determining what items are priorities for each. This information will help Mercy Corps to hone in on more viable prospects in the future rounds.

2. Aggregate Program Results

Now that we have funded more than one organization we will have aggregate program results to report. Mercy Corps is preparing to report results with Active Excel, the

aggregate reporting tool originally developed by Mission Measurement. Upon review of the tool, however, there was a need to clarify how the tool is operationalized. For example, in the original version, the reporting period for aggregate program metrics was broken into Year 1 to Year 4. It was unclear, however, whether these years correspond to calendar years or program years for the USAID award. After careful consideration, we decided that reporting periods in Active Excel should be aligned with the program periods and Active Excel was revised to explicitly state reporting periods (i.e., Oct 1, 2013- September 30, 2014 instead of Year 1). Furthermore, aggregate program metrics will be reported cumulatively, not incrementally. Similar to the AMP, the semi-annual reporting of aggregate program impact with Active Excel will be submitted with the next quarterly report due in October so that it is aligned with the cooperative agreement annual reporting cycle. (Semi-annual reports will be submitted in October and April).

Two aggregate metrics in Active Excel which require further discussion with the partners are adoption (i.e., # of replications inspired by sub-awardee innovation) and cost effectiveness (i.e., USD$ saved compared to alternatives). The metric on adoption under the thesis of systems change is being re-evaluated as part of the effort to improve the aggregate impact framework for the Alliance (see below). The metric on cost-effectiveness warrants further refinement or redefinition as priority of this metric has changed.

Mercy Corps has been working with Skoll to refine the aggregate impact framework for the Alliance so that it will better define and capture systems level change and the impact of the Alliance partners on investees, on each other, and more broadly in the social innovation sector. A revised aggregate impact framework was developed in preparation for the steering committee in early July. Mercy Corps will use feedback from the Steering Committee meeting to further revise the framework and work with the partners to determine how to measure the broader impact of the Alliance.

## 3. Subaward Recipient Organizations

A. Imazon

Imazon continues to make progress towards decentralizing environmental management and control at the municipal level, testing the implementation in 10 key municipalities, and supporting the Green Municipality Program (GMP). Highlights this quarter include:

- As a result of Imazon's work with the GMP and the state of Pará in developing the necessary documents, a new state legal framework for decentralization was established in Pará.
- A decentralization agreement was signed between the State Environmental Agency and the 10 municipal agencies which Imazon has supported.
- Imazon has continued their work towards supporting municipalities to better perform environmental management through capacity building and the creation of cartographic information. This includes training 89 people, 40 from the 10 pilot

municipalities, in courses on Introduction to Geoprocessing, Field Verification of Deforestation, and others.

- Imazon finalized the production of seven high level reference maps for the pilot municipalities and are now updating the land cover maps of all 10 pilot municipalities to match the new legal criteria related to secondary forests.
- Imazon has sent 13 monthly reports on monitoring deforestation and forest degradation to the State and Municipal Agencies as well as SEMA-PA, GMP, and partners.
- Imazon has worked with GMP to create a new proposal to the Amazon Fund for $40 million and are currently developing a new proposal for the World Bank.

The monthly trends of deforestation in the pilot communities are generally downward but there are some exceptions, such as the June data as seen in Figure 2. Mercy Corps is in discussion with Imazon to learn more about how they interpret these trends.
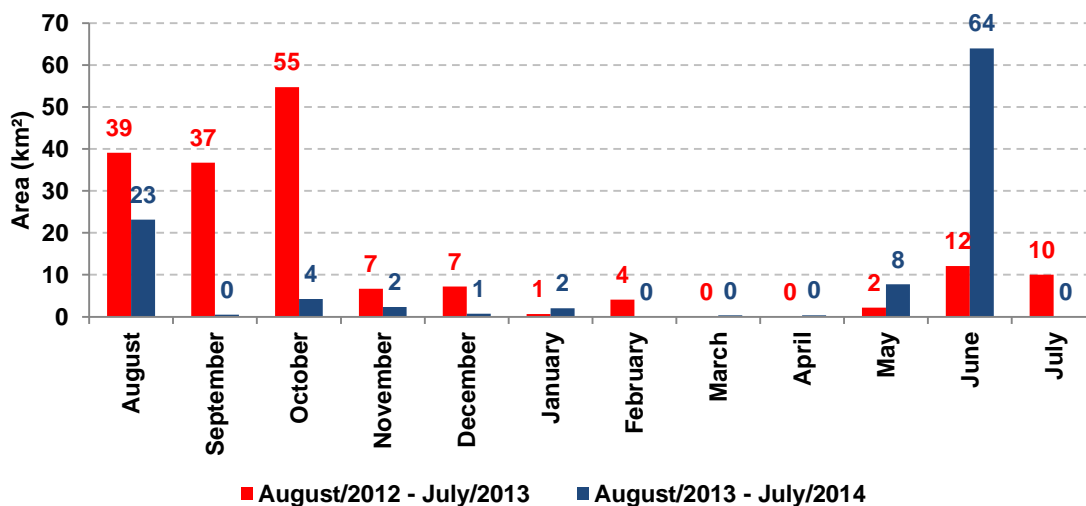
Figure 2: Deforestation detected by the Imazon Deforestation Alert System (SAD) in the 10 pilot municipalities from August, 2012 to June, 2014

A summary of Imazon's work by output:

Output 1.1 Environmental management decentralized from the state to the municipal level:

- Completed the baseline diagnosis of municipalities to exercise local environmental management.
- Created a partnership with the Roberto Marinho Foundation (FRM) which has extensive experience in disseminating technical information on forest management.

- Completed the final two drafts of the legal framework of decentralization of municipal environmental management in Pará.
- Completed and published the technical report on the costs and revenues of municipal environmental management in Pará.
- Continued the training program originally developed for the 10 pilot municipalities and achieved this quarter's target.

Output 1.2 Environmental management operational in the 10 municipalities:

Senior research Carlos Souza demonstrates mapping techniques at the program headquarters.

- Implemented and integrated the second version of the Integrated System of Environmental management in three municipalities.
- Finalized the report "*Status of deforestation in 10 pilot municipalities in the State of Pará*" and produced detailed reports for each municipality with all digital maps of deforestation, land tenure, CAR, land cover, and protected areas.

Output 2.1 Scaling up environmental management to the state level:

- Began developing SIGAM modules for Environmental Licensing and Information Management.
- Continued to monitor deforestation with the Imazon Deforestation Alert System (SAD) for all municipalities of the State of Pará.
- GMP received first deposit of funds (US $12 million) from the Amazon/BNDES Fund as a result of Imazon's work developing the proposal.
- Presented the concept of the project for Sustainable Rural Development for the staff of the World Bank in May 2014.

Following up on a January visit from Mercy Corps compliance officer Amy Sproston, Mercy Corps sent finance officer Fernando Unzueta to Brazil for two weeks to work with Imazon on their corrective action plan. His visit was deemed successful by both parties and all issues were addressed. Imazon has since satisfactorily completed their corrective action plan.
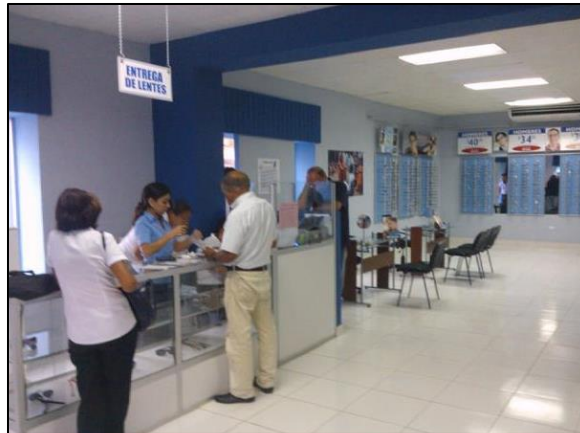
B. TerraCarbon

TerraCarbon submitted the final Phase 1 report and the proposal for Phase 2 in late April 2014. In the proposal, the scope of work and the budget for Phase 2 increased from the initial proposal given the expanded research questions that have been included to address

multiple audiences per the discussions with the M&E Committee. In addition, the evaluation was extended to 2016 in order to assess the impact of the full program with Imazon (2012-2016). Furthermore, TerraCarbon proposed to provide training on the synthetic control methodology to Imazon staff so that they can continue to use it to evaluate their impact beyond the Alliance investment. Imazon was highly enthusiastic about these additional components of the Phase 2 proposal. The proposal was reviewed and approved by USAID in late May and TerraCarbon has begun the Phase 2 activities.

C. VisionSpring

On March 27, 2014, Mercy Corps signed a subgrant agreement with VisionSpring (VS) for $855,163 which was matched by Skoll for the same amount. The subaward was formally launched on April 1 and Mercy Corps' compliance officer traveled to El Salvador shortly after to ensure that the program startup was smooth and all USAID requirements were understood by the VS team. VisionSpring is gearing up to expand their hub-and-

Optical shops in El Salvador have been remodeled.

spoke model of vision care to the neighboring countries of Honduras, Guatemala, and Nicaragua and increase the number of profitable optical shops from 5 to 26. They are also actively working with USAID and the Skoll Foundation to bring leaders in the optical industry together to discuss the commercial viability of serving the BoP segment.

In their first quarter VisionSpring formally launched their expansion into Central America by preparing to open their first store in Honduras and by renovating and standardizing the five existing stores in El Salvador in order to improve performance and create brand awareness.


Conducting vision exams in El Salvador

In this quarter VisionSpring continued to conduct outreach campaigns, completing 14,200 vision exams, 72% of their target for this quarter. Through their existing stores they sold 8,057 eyeglasses reaching 77% of the goal for the quarter. While sales and screenings were lower than expected VisionSpring believes that this was a result of focusing on the standardization of current stores rather than outreach, overall macroeconomic instability due to national elections, the delayed opening of the Tegucigalpa store, and the relocation of two stores. However,

they are confident that with the improvements to existing stores and the opening of the shop in Honduras they will meet their targets in the second quarter.

In collaboration with Good World Solutions (GWS), VisionSpring also started collecting important data on the access and affordability of VisionSpring eyeglasses, customer income levels, and overall customer satisfaction. The survey results showed that the majority of customers are living above El Salvador's national poverty line but 58% are highly likely to be living on less than $2.50 per day, nearly reaching their target of 60%. Overall, 56% of customers surveyed say the glasses they purchased from VisionSpring were the first pair they had ever owned. The respondents showed a high level of satisfaction with 65% of clients reporting that the new glasses allowed them to increase their work or study hours and 81% saw improvements in their leisure time. Customer satisfaction is illustrated in Figure 3.
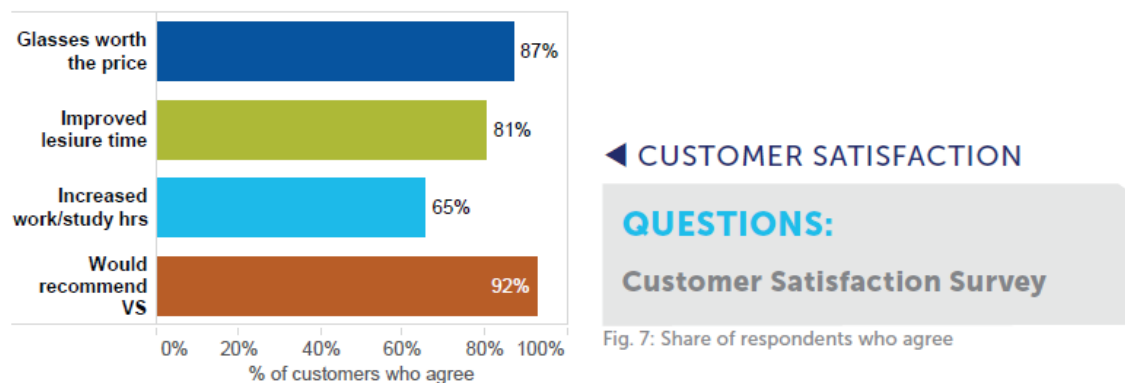
Figure 3: VisionSpring Customer Satisfaction Survey Results

VisionSpring initially experienced difficulty with administering mobile surveys using Good World Solutions's Labor Link platform due to legal and cultural issues and have developed an alternative methodology to continue collecting high quality data including the level of usage for eyeglasses among VS clients. The full Labor Link Survey Report can be found in Attachment 3 of this report.

In the next quarter, VisionSpring will launch new stores in Tegucigalpa, Honduras and Soyapango, El Salvador and will hire and fill in the missing elements of the senior management team, as well as country managers for Honduras and El Salvador. Through their partnership with Good World Solutions they will begin Phase 2 of the new impact data-gathering process using smart phones and tablets. This new survey format will allow for better analysis and reporting of access and affordability, customer livelihood level and customer satisfaction and usage data

IV.   Administration

A. Committees and Communications

1. Communications Committee: The communications meeting has held monthly calls or email updates and produced and coordinated the release of a blog story. The committee is still waiting for the final approval of GCC to release the public announcement of the VisionSpring deal and once it is resolved, Skoll and Mercy Corps will move forward with the planned communications.
2. Weekly Tracker: The weekly tracker has been regularly distributed.
3. Monitoring and Evaluation Committee: The monitoring and evaluation committee did not hold any formal calls or meetings this quarter. Kevin primarily engaged with Ehren Reed from Skoll and Avery Ouellette from USAID bilaterally to discuss M&E related issues.
4. Management Committee: Cameron Peake and Carol Skowron joined Kathleen Hunt for management calls on a weekly basis
5. Steering Committee: scheduled for July 8 in Washington DC
6. USAID and Skoll Check-ins: Occurred on an ad hoc basis.

B. Staff Changes

The Mercy Corps Program Director of this cooperative agreement, Cameron Peake, has given notice and will be leaving Mercy Corps in the early part of next quarter. Mercy Corps is conducting a search for a replacement for her and will request approval from USAID for approval once the new employee has been identified.

V.   Challenges and Lessons Learned

Pace of Awards: The pace of awards continued to be slower than anticipated. Mercy Corps screened organizations from Skoll and USAID, including some prospects from LAUNCH and the Social Entrepreneur Accelerator at Duke (SEAD), and a few from Skoll. It is increasingly clear that the partners need to make a change in pipeline or criteria for Mercy Corps to be able to fund more deals. These issues were presented for discussion at the July 8 Steering Committee.

Health Sector: Many of the most innovative ideas in the pipeline are in the health sector. USAID had been investigating whether there were ways to fund deals related to the health sector, but made a determination that it is very difficult with the funds available. This has resulted in Mercy Corps not moving forward on several innovative deals in the health sector of interest to Skoll, but having clarity on the decision will help Mercy Corps focus on deals in other sectors moving forward.

Measurement of the Partnership: The partners have been focused on developing their pipeline and understanding criteria for funding, and have less opportunity to focus on the impact of the overall portfolio. Skoll has brought this to our attention and Mercy Corps is working with the partners to think about how we will measure success of the partnership. There is a tendency to want to measure as much as possible, but there may not be enough of a commitment of time and resources to do so. Kevin Hong is working with the partners to develop appropriate measures that can be supported.

Skoll support for non-SASE: By approving Evidence Action, Skoll demonstrated its support for funding an organization that originated from outside the Skoll portfolio.

Revised process of selection and approval: It has been one year since the process was revised to use a series of gates for decision-making. Overall the process has improved the communications between the partners, but it has not expedited the process.

Development Lab: the reorganization within USAID slowed down responsiveness from USAID slightly, but now offers an opportunity to access more resources within USAID and align our investments with USAID Lab priorities.

VI.   Conclusions

Mercy Corps continued to work closely with USAID and Skoll to screen and present potential deals, but a mismatch between the pipeline and the criteria for funding under the partnership has slowed the pace of awards. In this quarter Mercy Corps worked closely with USAID to develop alternative pipelines, but those sources have not yet resulted in moving forward with any deals. Mercy Corps prepared information on the pipeline and the funding criteria to be presented and discussed at the Steering Committee in July, where decisions on how to improve the pipeline and expedite the deals are expected.

VII.   Attachments

1. Award Monitoring Plan
2. Organizations in IIA process at the end of Q7 by stage (see below)
3. Master list of organizations not funded
4. Imazon reference maps for the 10 pilot municipalities (see below)
5. VisionSpring survey results

Attachment 2: Organizations in IIA process at the end of Q7 by stage

Prioritized Organizations	Gate 1	Gate 2 Snapshot	Gate 3 ION	Funded App. + IRM
Round 1 (Dec. 2012 – March 2013)				
Amazon Corridors/Avina	■			
Building Markets	■			
Ceres	■			
Forest Trends	■			
Imazon	■	■	■	■
Mothers2Mothers	■			
Root Capital				
Round 2 (May 2013 – Dec. 2013)				
Entrepreneurial Finance Lab	■			
Everyone Forever	■	■	■	
Evidence Action	■	■	■	
IDE-I	■	■		
Instiglio	■			
Pratham	■	■		
Riders for Health	■			
SIRT-Kenya & Georgetown	■			
VisionSpring	■	■	■	■
Round 3 (Dec. 2013 – June 2014)				
Bandhan	■	■		
Changamka	■			
Everyone Forever	■	■	*	
Evidence Action	■	■	*	**
Give Directly	■	■		
Imazon Ecotrack	■	■		
GGHH	■	■		
Jacaranda Health	■	■		
Landesa	■	■		
Mothers2Mothers	■	■		
Remedial Education: IPA	■	■		
Swasth	■	■		
Partners in Health	■			
Pratham	■			

* From previous round
** Expected to be completed in Q8

Attachment 4: Situation of the reference maps for the 10 pilot municipalities.